DEFENSE LOGISTICS AGENCY

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Discussion Framework

- DLA Top Five Priorities
- DLA Business
- What We Were
- What We Are Today
- What We Are Going To Be …
  - DLA Transformation
- Summary

Top Five Priorities

- **Support to the Warfighter**
- **Agency Transformation**
  - **Business Systems Modernization (BSM)**
  - **Customer Relationship Management (CRM)**
- **Corporate Climate**
- **“New Normal”**
- **Distribution Process Owner (DPO) Partnership**

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The DLA Enterprise

FY 02 Sales/Services: $21.5B
FY 03 Sales/Services: $25B
FY 04 Projection: $28.9B

- **Energy: $ 5.2B**
- **Distribution: $ 2.2B**
- **Other: $ 1.4B**

Foreign Military Sales

- **Sales: $719M**
- **Shipments: 580K**
- **Supporting 124 Nations**

Scope of Business

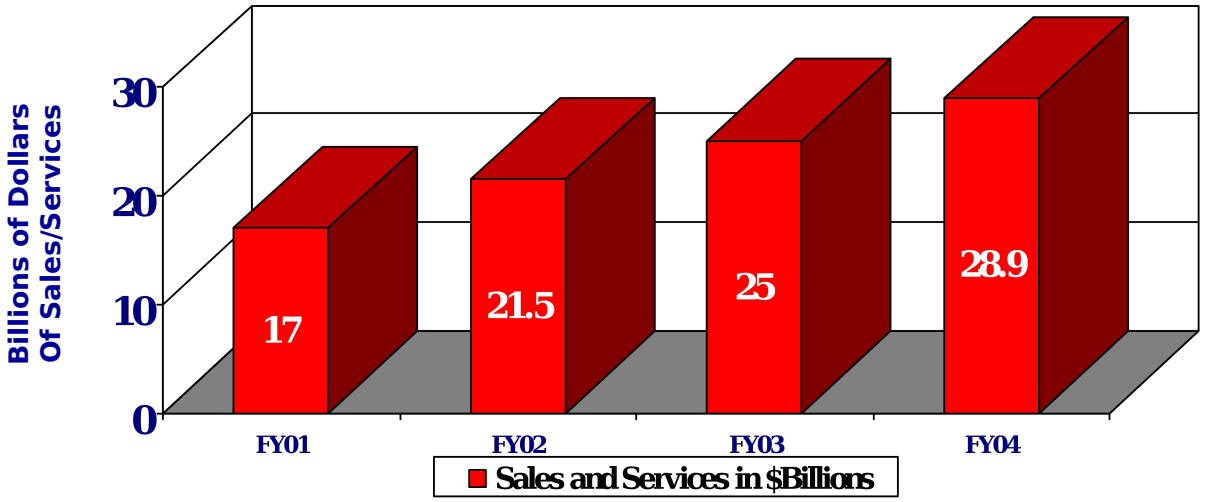
- **45,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#55 Fortune 500 – Above Northrop Gr**
- **#2 in Top 50 Distribution Warehous**
- **23 Distribution Depots**
- **4.6 Million NSNs**
- **24.7M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **147.7M Net Barrels Fuel Sold (FY 03**
- **$12.5B Annual Reutilizations/Dispos**

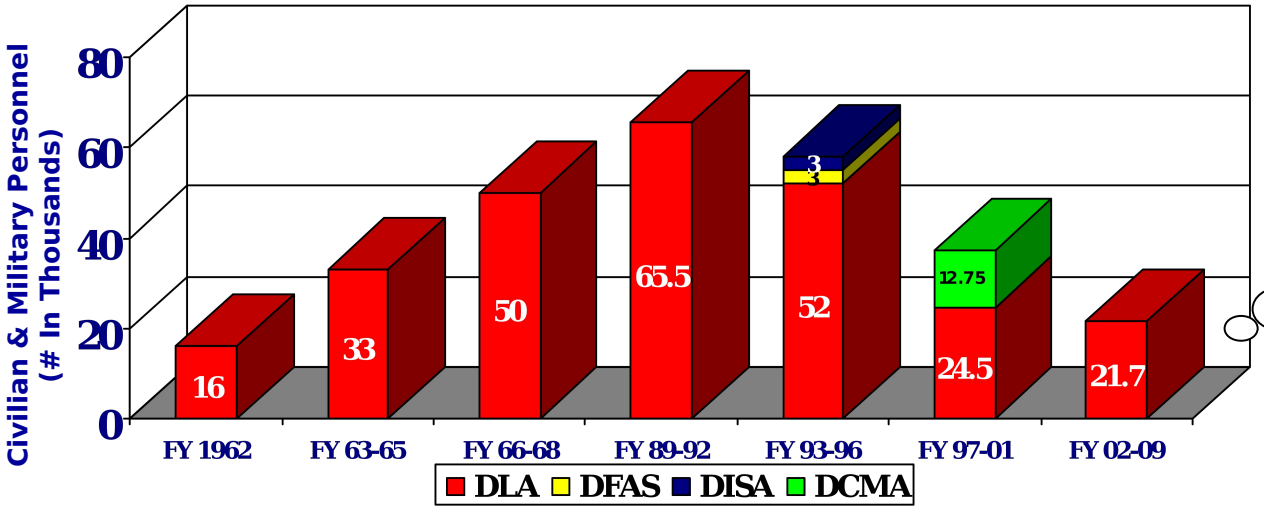
People

- **21,468 Civilians**
- **525 Active Duty Military**
- **636 Reserve Military**
- **Located in 48 States/28 Countrie**

DLA Transition… …Leaner…More Productive

*From '01-'04, Sales and Services grew by **70%…***



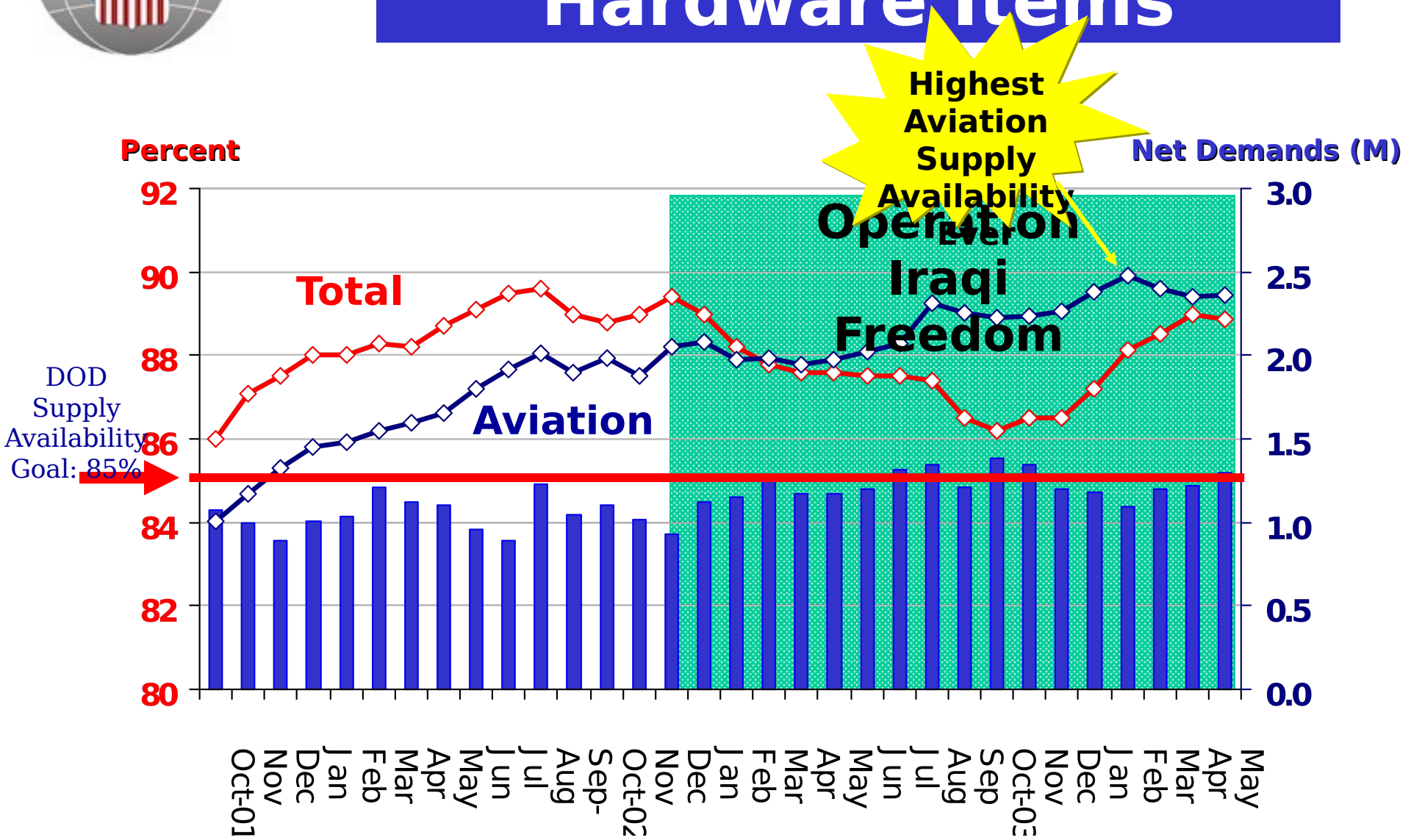


*…while personnel levels fell to their **lowest since 1963** … 12% below DPG*

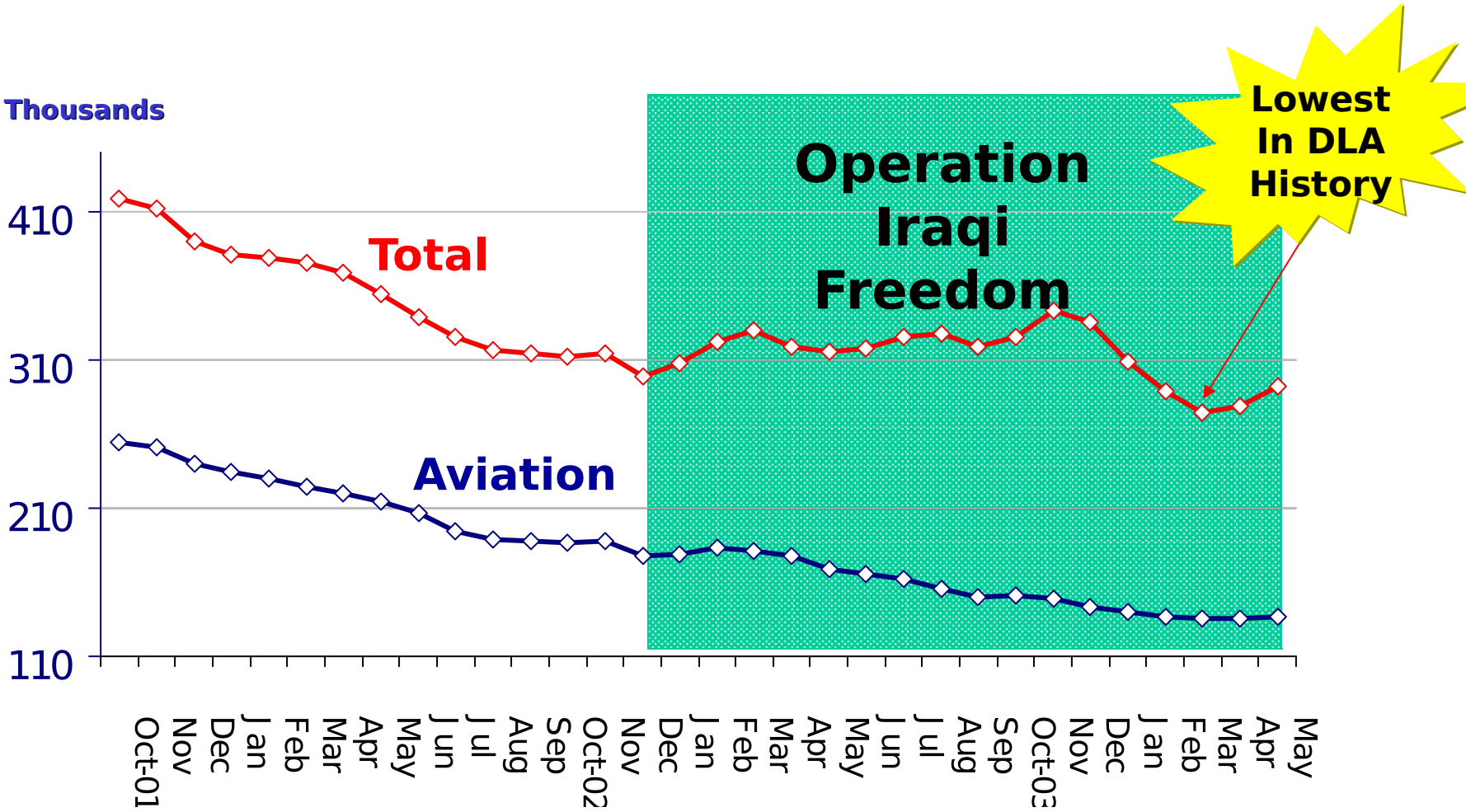
How We Did It

- **More stable financing**
  - **Reduced volatility in workload**
- **Better collaboration with customers and suppliers**
  - **Improved forecasting and delivery**
- **More long-term contracts with suppliers**
- **Increased reliance on highly automated strategic distribution centers**
- **Shorter administrative lead times through process improvements**
  - **Shifting from manual to automated buying procedures**
- **A-76 process for non-inherently governmental positions**
  - **MEO or contractor levels of support**

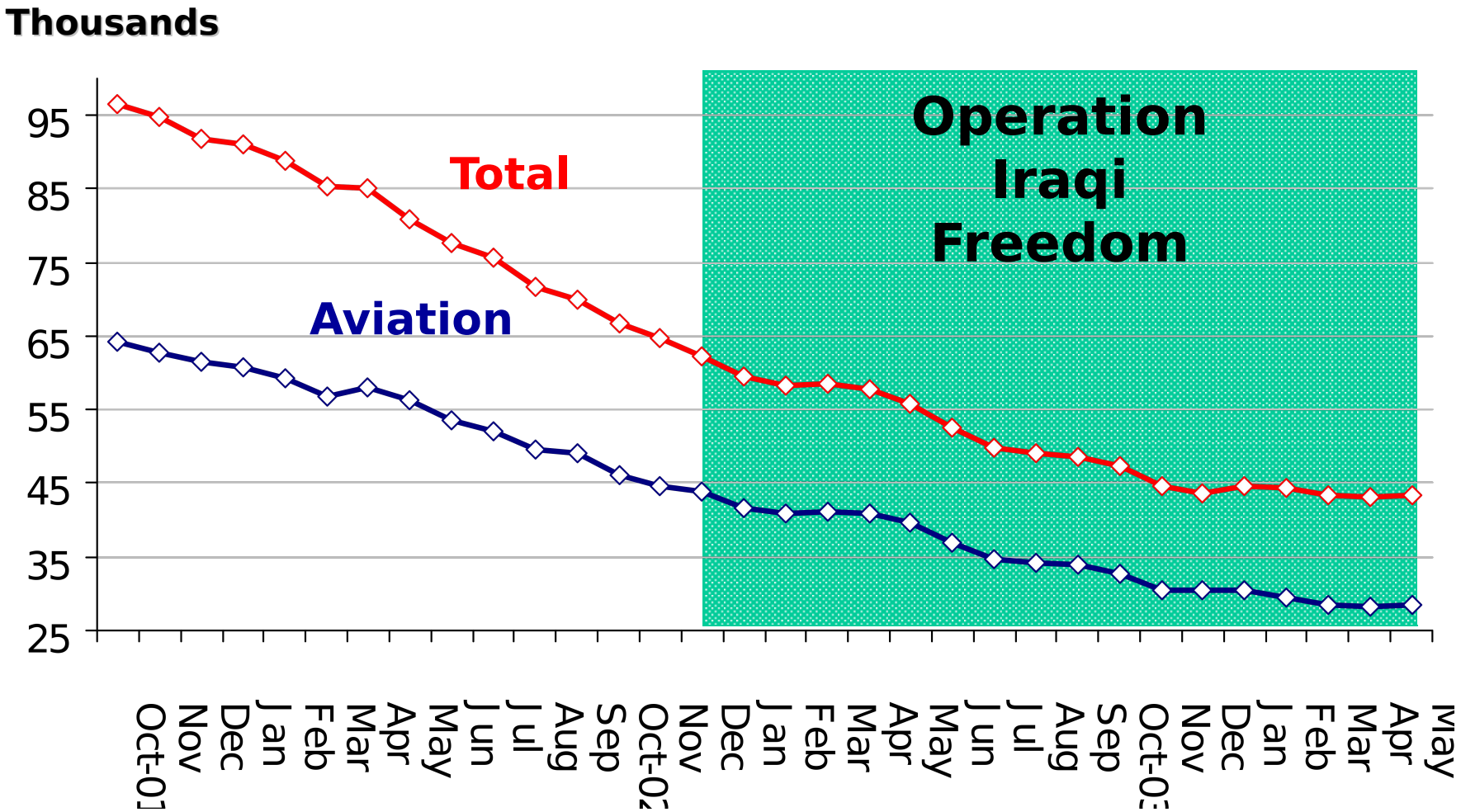
Supply Availability Hardware Items



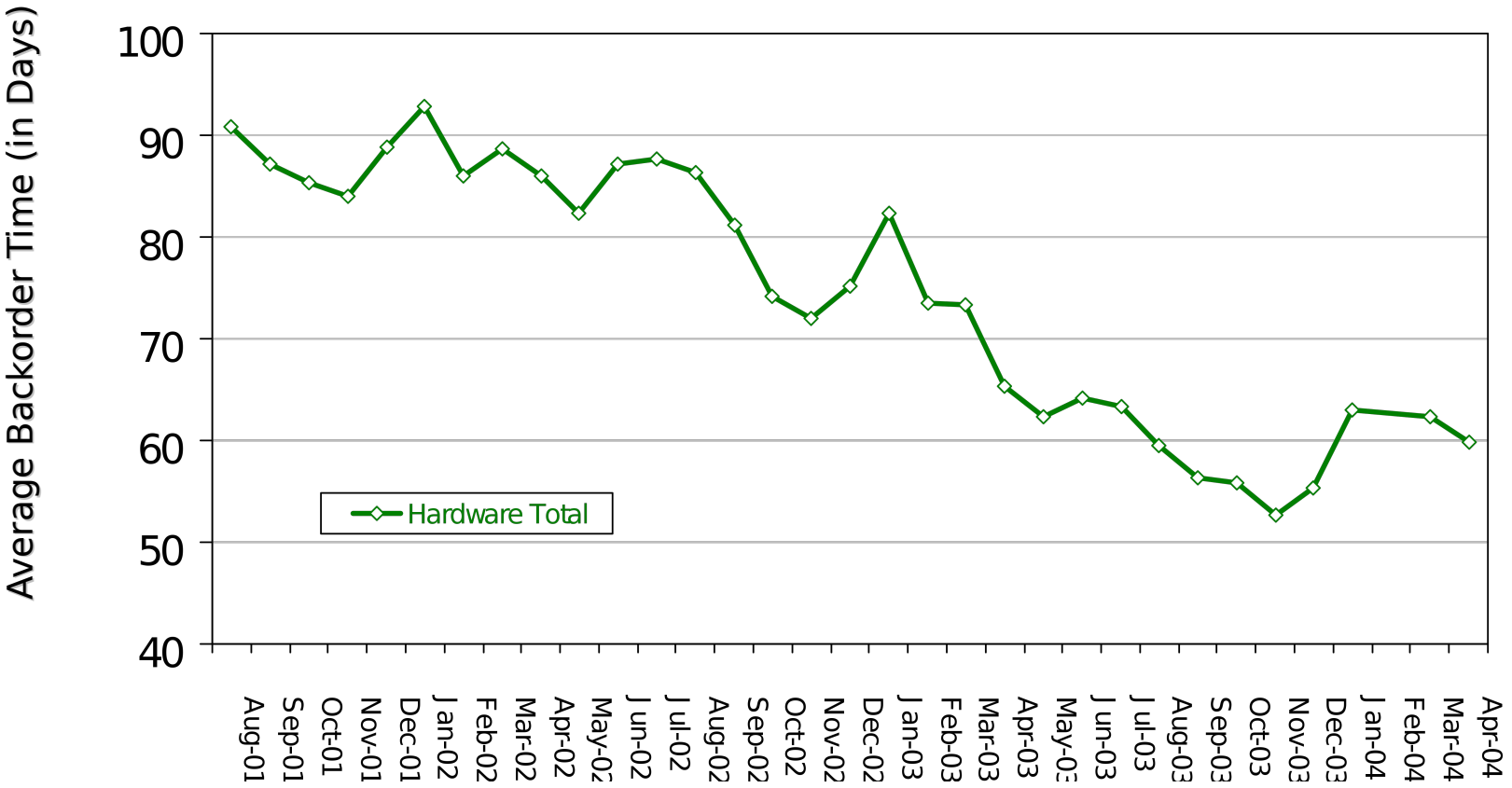
Backorders – Hardware



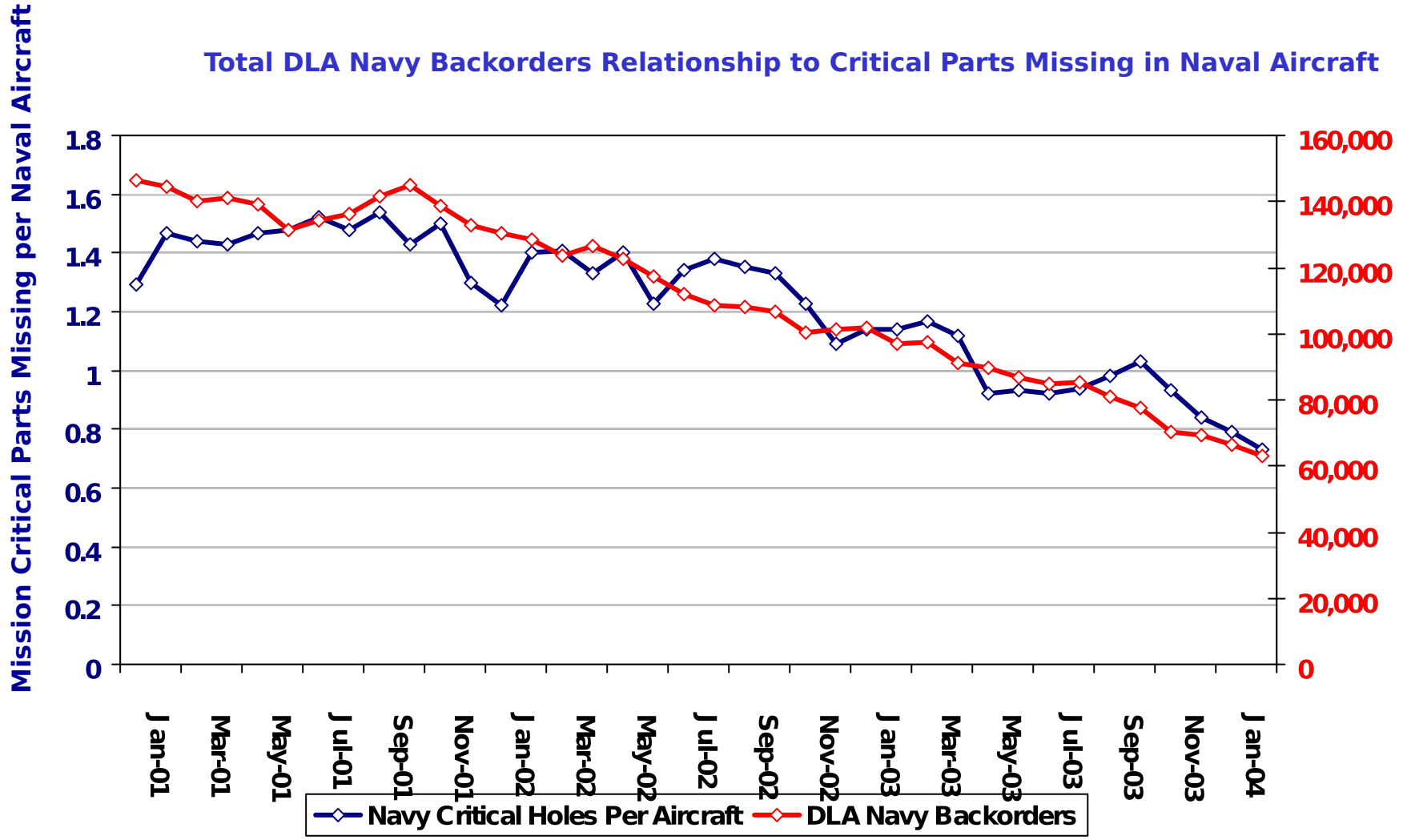
Backorders > 180 Days Hardware



Improving Performance Backorder Delay Time Reductions



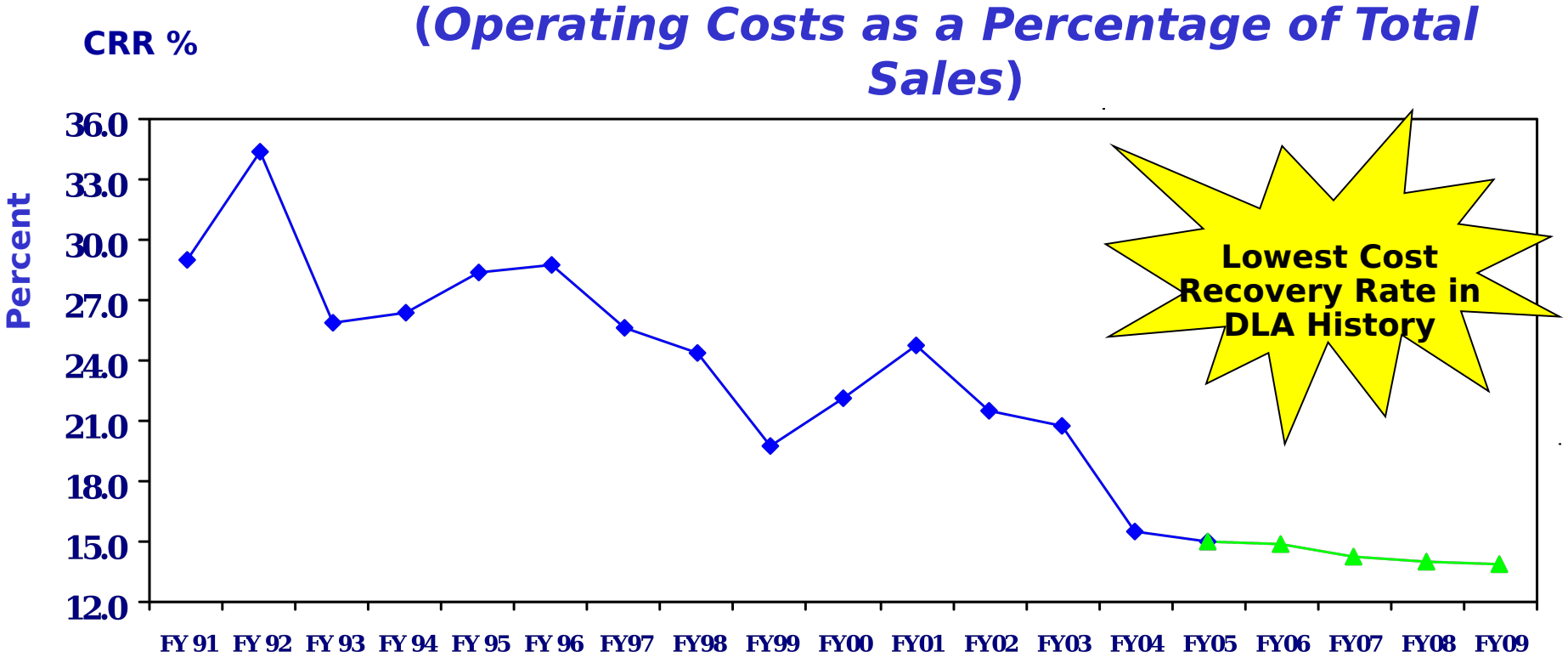
to Critical Parts Missing in



Data Source for Holes in Aircraft: Center for Naval Analysis (CNA) – POC Mr. Craig Goodwyn

* A critical part is defined as a part causing a NMC or PMC ai

Cost Recovery Rates Over Time



Savings Returned to Warfighter

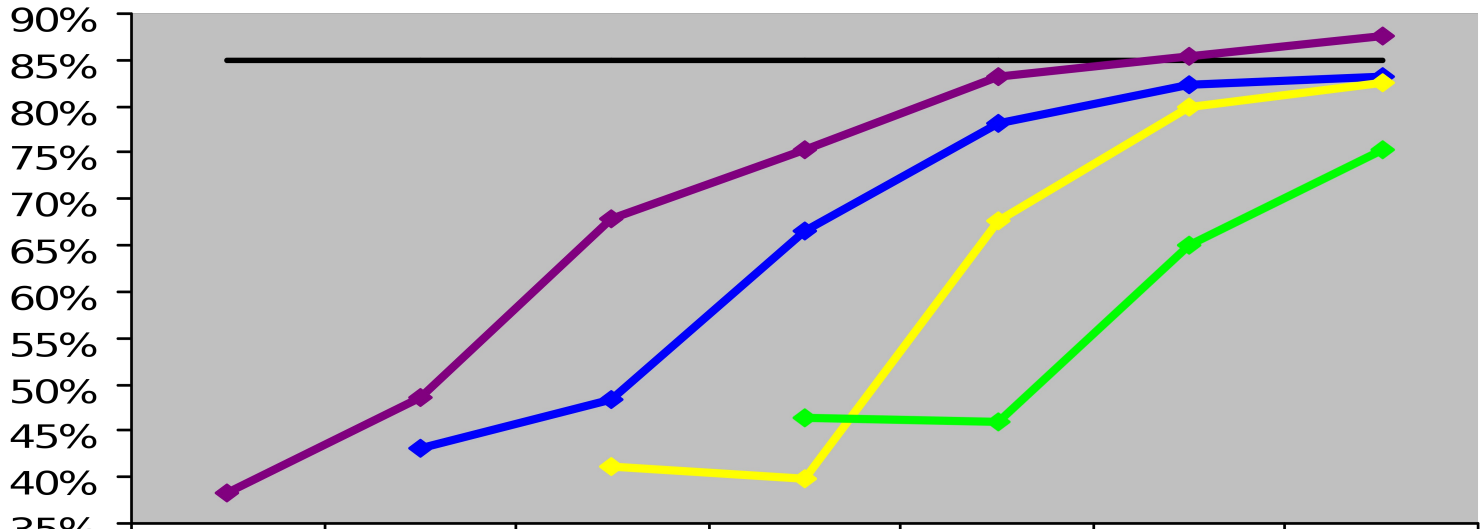
AIS Execution FY00 – FY03

	# of NSNs	Additive Safety Level ($M)	Obs ($M)	Receipts ($M)
FY00				
Aviation Engines	1,457	$ 93.6	$ 71.3	$ 69.7
Aviation Support	1,141	$ 74.0	$ 51.1	$ 50.2
Totals	2,598	$ 167.6	$ 122.4	$ 119.9
FY01 (with carryover)				
Aviation Engines	1,183	$ 60.7	$ 50.6	$ 50.0
Aviation Support	2,953	$ 101.7	$ 92.2	$ 86.7
Totals	4,136	$ 162.4	$ 142.8	$ 136.7
FY02 (with carryover)				
Aviation Engines	812	$ 62.4	$ 55.5	$ 53.9
Aviation Support	3,370	$ 101.0	$ 90.7	$ 83.2
Totals	4,182	$ 163.4	$ 146.2	$ 137.1
FY03 (with carryover)				
Aviation Engines	560	$ 32.7	$ 30.2	$ 21.5
Aviation Support	3,425	$ 58.9	$ 58.4	$ 43.2
Totals	3,985	$ 91.6	$ 88.6	$ 64.7

FY00 Goal = $121.1M; FY01 Goal = $146M; FY02 Goal = $146.2

AIS Item Performance by Target Year

SMA



	FY98	FY99	FY00	FY01	FY02	FY03	FY04
GOAL	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
AIS SA Target Year FY00	38.2%	48.5%	67.9%	75.4%	83.3%	85.3%	87.5%
AIS SA Target Year FY01		43.1%	48.4%	66.5%	78.2%	82.4%	83.3%
AIS SA Target Year FY02			41.2%	39.9%	67.7%	80.0%	82.5%
AIS SA Target Year FY03				46.4%	45.9%	65.0%	75.3%

First two points on each line are pre-AIS baseline years

12,837 NSNs

Data Through April 2004

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DLA …What We Were

- **Large Wholesaler**
  - **Internally Focused Metrics**
  - **Little Customer Interface**
  - **Poor Reputation**
- **Antiquated IT Systems and Business Processes**
  - **Slow, 1960's vintage batch processing**
  - **Business practices dictated by systems**
- **Large Inventories … "Just-In-Case"**
  - **Overlap with commercial sector**
    - **Food, Clothing and Medical Inventories**

What We Were… Customer Assessment

Summer 2001: 3 and 4 Star Flag Conference

Customer Feedback:

"DLA takes too long [illegible]terial and DLA cost[illegible] too much"

What we did ….

ACTION

Improve supply availability … Reduce wait time …
Drive down backorders - Improve Readiness
Reduce costs - Contingency Support

Strategic and Business Plan Developed
Enterprise System Modernization - Changed Culture

TRANSFORMATION

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What We Are Today… Focused on Customer

- **Combatant Command Liaison Officers:**
  - **Inside Joint Staff J4, EUCOM, PACOM, CENTCOM, TRANSCOM, SOUTHCOM/STRATCOM, JFCOM & NORTHCOM**
    - **Provide Planning, Contingency, and Single POC for DLA Logistics Support**
- **DLA Contingency Support Teams (DCST)**
  - **Deploy with Force as Requested by Combatant Commanders**
    - **Provide On Site DLA Logistics, Asset Visibility Support**
  - **Bosnia, Kosovo, Croatia, Kuwait**

Customer: DLA Europe – Pacific –

- DLA Overseas Commands Supporting EUCOM, PACOM,
- Standing Up DLA-Central in support of CENTCOM – AUG 04
- Single Focal Point for all Combatant Commander's Support Issues
- Customer Support and Lead Center Representation
- Lead for Theater Contingency and Exercise Planning
- Commands DLA Contingency Support Teams
- Provides Director with a Single Touch Point

Customer… Customer

- National Account Managers for Each of the Four Services
- Customer Account Managers
- Customer Service Reps (CSR)
  - CSR is single POC for DLA Logistics at 71 Major Service Locations Globally
- Performance Based Agreements with Each of the Four Services
  - Establish Customer-focused Performance Metrics
  - Set Agenda for Logistics Initiatives
  - Establish a Partnership Council for

What We Are Today… Moving Towards Transformation

- Refined Goals and Metrics
- Instituted Robust Performance Reviews
- Focused on Backorder and Cost Reductions
- Streamlined Procurement Processes
- Fully supported by DOD leadership
  - Requirements Fully Funded
- Deployment & Distribution Operations Center (DDOC)

CENTCOM DDOC (CDDOC)

- **Collaboration**
  - **Customers and lift-providers share information and explore solutions to theater logistics problems**
- **Visibility & Synchronization of Cargo and Passengers**
  - **Experimented with ITV/TAV to improve visibility**
- **Forecasting**
  - **Enabling CFLCC and CJTF-7 to synchronize war-fighter support**
- **Internet/Portal Technology**
  - **Central repository for theater distribution information**
- **Process Improvements**
  - **Theater Retrograde, Task Force Express**
- **Metrics to be refined**
- **Process changes to be incorporated into Joint and Service Doctrine**
- **DDOC being considered for support in other theaters**

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What We Are Going To Be… Transformation Strategy

- 10 Major Transformational Initiatives
- $1 Billion+ Investment Committed
- $1.8 Billion Net Savings Committed for Return To the Services
- Agency's Core Business Model
  - Support to Services – driven by *future* requirements
  - Suppliers – manager and integrator
  - Supply Chains – effective, efficient and seamless Partner
- End to end internal overhaul

The Transformation Roadmap

Business Systems

National Inventory Manag

Strategy

Dynamic Materiel Posi

Forward Positioning

Customer Relationship Mgmt

Executive Agent: fuels-subsistence

Supplier Relationship Mgmt

Work Force Transformation

Integrated Data Environmen

Fuels Automated System

Returning $1.8 Billion to the Services

Plus

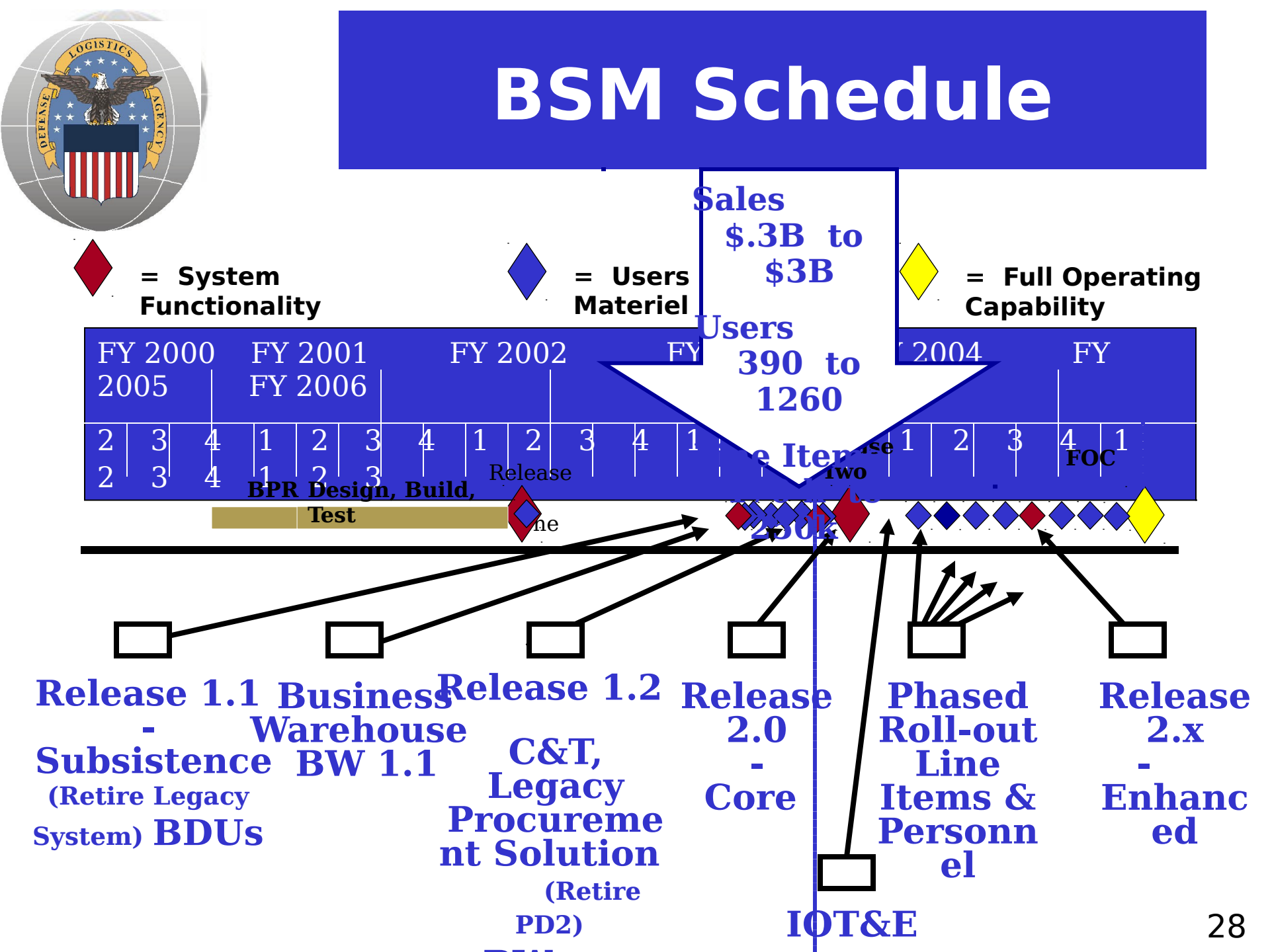
A-76

&

BRAC 2005

199 → 200

BSM Schedule



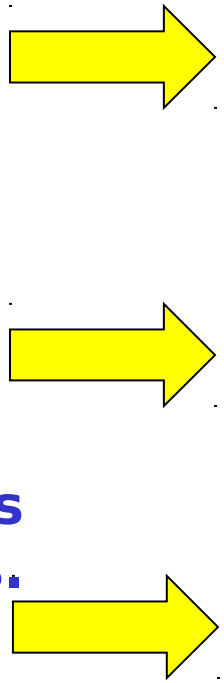
CRM: New Customer Engagement

OLD STRATEGIES: 2000-2003

Focus, manage and measure logistics support by customer segment based on customer requirements.

Negotiate and honor performance agreements with customer segments.

Ensure seamless logistics support during the customer's transition from peace to war.



NEW STRATEGIES: 2004…

Engage **customers in a structured collaborative and partnering relationship.**

Translate **customer needs into integrated logistics solutions to maximize readiness and combat power.**

Deliver **promised support consistently.**

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Summary

- Critical Combat Enabler … Light and Agile
- Focused on Improved warfighter support and reduced costs
  - 32.8% reduction in backorders and improved readiness (since Oct 01)
  - 51% decrease in cost recovery rates
  - $1.8B back to services FY 04-09
- CDDOC Improving Flow of Supplies and Personnel
- Record Setting Support with Demand at Historic Highs
- DOD Leader In Enterprise System Transformation

Tomorrow's vision … smaller, more efficient, leveraged with best business practices